

## State Corporation Commission 2005 Fiscal Impact Statement

**1. Bill Number** HB1545

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

**2. Patron**        Frederick

**3. Committee**    Commerce and Labor

**4. Title**            Motor vehicle insurance; limited tort option

**5. Summary/Purpose:** Requires private passenger automobile insurers to offer limited tort insurance, which is defined as insurance that precludes an individual from maintaining an action for any non-economic loss (e.g. pain and suffering) sustained in a motor vehicle accident caused by another person. A person who elects the limited tort insurance option is not required to give up the right to sue for non-economic loss under three situations: the person who is at fault (i) is convicted of a DWI; (ii) is operating a motor vehicle registered in another state; or (iii) has not maintained liability insurance as required under § 46.2-272 of the Code of Virginia. If the named insured fails to make an election, the law presumes that the individual has *not* chosen the limited tort option. The named insured's election applies to all insureds under the policy. Insurers are required to provide an appropriate premium reduction for the limited tort option.

**6. No Fiscal Impact on the State Corporation Commission**

**7. Budget amendment necessary:** No

**8. Fiscal implications:** None on the State Corporation Commission

**9. Specific agency or political subdivisions affected:** State Corporation Commission Bureau of Insurance

**10. Technical amendment necessary:** No

**11. Other comments:** House Bill 1545 is based on a Pennsylvania (PA) law [Title 75 (The Vehicle Code), Part II (Title, Registration, and Licensing), Chapter 17 (Financial Responsibility), Section 1705]. According to the Pennsylvania Department of Insurance, the minimum difference in premium between the limited tort and full tort policies is a 15.3% savings in premium for consumers who choose the limited tort policy. Since Pennsylvania has prior approval rate regulation of automobile insurance rates (Virginia has file and use rate regulation for auto rates), any insurer that does not use what the Pennsylvania Department of Insurance considers an appropriate rate must have the data to justify a different amount in order to get its rate filing approved.

It is the understanding of the State Corporation Commission Bureau of Insurance that Pennsylvania enacted this type of legislation effective 1990 because private passenger

automobile insurance premiums in Pennsylvania were considered too expensive. According to the latest ranking done by the National Association of Insurance Commissioners (NAIC) using 2002 data, Pennsylvania is ranked 22<sup>nd</sup> highest, while Virginia is ranked 44th among states in terms of combined average automobile insurance premiums. If automobile insurers were to file for a 15% reduction for a limited tort option policy in Virginia, the result in savings should be approximately \$100 per year per vehicle based on the average automobile insurance premium in Virginia of \$712 (according to the NAIC data).

**Date:** 01/16/05 / V. Tompkins

cc: Secretary of Commerce and Trade